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SUBJECT: MERKEL IN CHINA SEEKS RESOLVE IN HANDING FINANCIAL
CRISIS

¶1. (SBU) Summary: Much of Chancellor Merkel's October 23-25 visit to Beijing to attend the Asia-Europe Meeting (ASEM) focused on the financial crisis, according to Chancellery advisors Ludger Siemes (Bilateral Relations to the Near and Middle East, Africa, Asia and Latin America) and Petra Sigmund (European Political Relations to the EU member states, EU Foreign Relations), during a briefing to the diplomatic community November 3. Merkel's overarching message with her interlocutors, Siemes and Sigmund said, was to stress the need for the G-20 to produce results at the November 15 summit in Washington. Merkel also had bilateral meetings with Chinese leaders, and met with leaders of Chinese civil society. She also met with Chinese business leaders, accompanied by a delegation of German business representatives. Siemes highlighted the positive nature of Merkel's talks with Chinese leaders after a strain in relations engendered by the Chancellor's 2007 private meeting with the Dalai Lama. On the margins of ASEM, Merkel had bilateral meetings with the prime ministers of India and Japan, which also focused on the financial crisis, and with Pakistan, which focused on Pakistan's domestic situation and its fight against terrorism. End summary.

Merkel Received Well in China

¶2. (SBU) Siemes noted that Chancellor Merkel was surprised and touched with the efforts the Chinese leadership made to accommodate and welcome her, including with military honors. He noted that this was Merkel's third visit to China during her term as Chancellor and underlined the importance she places on the bilateral relationship. Merkel's talks with Chinese Prime Minister Wen Jaibao and President Hu Jintao on October 23 and 24, respectively, highlighted the strength of the Sino-German economic relationship, Siemes said, adding that he would characterize the discussions with Wen and Hu as open and frank. He noted that China and Germany reached USD 100 billion in trade this year, two years earlier than forecast. Siemes downplayed the rift between China and Germany that erupted after Merkel's October 2007 private meeting with the Dalai Lama in Berlin. Siemes said that there had never been a "halt" in Sino-German engagement, that Merkel had spoken twice with Hu in 2008. Siemes said that Merkel also stressed Germany's "one China" policy, but also underlined the need for China to engage in dialogue with the Dalai Lama and address the situation in Tibet and with the Muslim Uighur minority. With regard to human rights issues, Siemes said that the Chinese listened, but did not change their position.

13. (SBU) Siemes noted that Merkel also met separately with a group of civil society representatives and that Merkel was particularly interested in how China had faced the challenges over the past year, including with Tibet, natural disaster, and world attention on the Olympics. Participants highlighted China's new sense of self-confidence and modernity, including in rural areas.

Merkel Seeks Action on Financial Crisis

14. (SBU) In her meetings with Wen and Hu, Merkel spoke at length about the financial crisis, according to Siemes, focusing on the November 15 financial summit in Washington and the need to discuss a framework of regulation, the role of the IMF, and specific goals during those talks. Merkel stressed the importance of leaving the Washington talks with a mandate for action. Siemes said that the Chinese leadership was open to this view and that President Hu "entered into a discussion on this issue." However, Siemes also characterized the Chinese vision of the crisis as "opaque," and said that they did not see the crisis as affecting them directly. Siemes said that the Chinese indicated they would likely give the domestic market some stimulus.

15. (SBU) Merkel made the same pitch in bilats with Japanese Prime Minister Aso and Indian Prime Minister Singh. In her meeting with Aso, her first with the Japanese Prime Minister, Siemes said that Aso expressed concern about the strength of

BERLIN 00001511 002 OF 002

the Yen compared to the dollar. Merkel and Singh agreed on the need for results in Washington and both agreed that it was not advisable for world leaders to engage in a series of talks on the financial crisis, but favored focusing on resolving issues during the November 15 meeting.

16. (SBU) Discussions of the financial crisis also dominated the 7th Annual ASEM summit, according to Sigmund, with participants agreeing on the need for reforms, including with regard to accounting standards, something which Merkel has proposed. Sigmund said ASEM participants also agreed (1) to counter protectionism; (2) to finish the Doha round; (3) not to overreact to the financial crisis, including with over-regulation; and (4) on the importance of continuing to address the major global problems of hunger and climate change. Sigmund noted that Merkel has already formulated the principles for reform that she will bring to Washington.

Concern Over Pakistan

17. (SBU) In Merkel's meeting with Singh, Siemes said, Merkel asked Singh about his impression of the new government in Pakistan. Siemes said that Singh expressed concern about Pakistan's stability, noting that Pakistan is in a difficult economic situation. Singh underlined India's interest in seeing a strong and stable Pakistan. In Merkel's meeting with the Pakistani Prime Minister -- her first meeting with Gilani -- Merkel stressed the need for stability in Pakistan.

Gilani discussed Pakistan's efforts to combat terrorism -- including through dialogue with more moderate figures -- and through economic development, especially on the border with Afghanistan. Gilani provided Merkel with a "wish list" regarding enhanced German-Pakistani engagement, which included increased economic development assistance and support for Pakistan in its talks with the IMF. The wish list also called for an enhanced political dialogue between Germany and Pakistan, and increased cultural exchanges.

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